

HEARING DATE: JANUARY 19, 2001
2:00 P.M.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

RANDALL'S ISLAND
FAMILY GOLF CENTERS, INC., et al.

Debtors.

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) Case Nos. 00-B-41065
) through 00-B-41196 (SMB)
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) (Jointly Administered)
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LIMITED OBJECTION OF BANCO POPULAR DE PUERTO RICO
TO THE DEBTORS' PROPOSED PROCEDURES FOR BIDS, AND
TERMS AND CONDITIONS OF AUCTION ON THE DEBTORS'
INTEREST IN CERTAIN (I) FEE PROPERTIES, (II) LEASES OF
NON-RESIDENTIAL REAL PROPERTY, AND (III) OTHER ASSETS

TO THE HONORABLE STUART M. BERNSTEIN
UNITED STATES BANKRUPTCY JUDGE:

Banco Popular de Puerto Rico ("Banco Popular"), submits the following as and for its limited objection to the Debtors' proposed procedures for the bidding on, and auction of, the Debtors' interests in certain interests in (i) fee-owned properties, (ii) leases of non-residential real property, and (iii) other assets, which are to be considered by the Court pursuant to the Court's Order to Show Cause dated January 12, 2001 (the "Application").

1. Banco Popular joins in the Objection dated January 18, 2001 filed by Chinatrust Bank (U.S.A.) and Chinatrust Commercial Bank (New York Agency), and refers the Court to the objections and authorities cited therein.

2. Banco Popular is a lien creditor and mortgage holder on certain real property used by the Debtor Lake Grove Family Golf Centers, Inc., in Suffolk County, New York. Accordingly,

Banco Popular holds credit bid rights for the sale proposed by the Debtors. Banco Popular objects to certain aspects of the Application because it fails to properly protect those credit bid rights, and is inconsistent with the Stipulation entered on the record between the Debtor, Chase, and the Pre-Petition Non-Primed Lenders (including Banco Popular) on January 12, 2001 (the “Stipulation”, attached as Attachment A).

3. The bidding procedures, at paragraph 6 of the “Solicitation for Bids” (hereafter the “Bidding Procedures”), appear to provide that Banco Popular will lose its credit bid rights unless its bid satisfies a formula determined unilaterally by the Debtor. The Bidding Procedures, at paragraphs 6 and 7, also require Banco Popular to submit a sealed credit bid before the live auction in order to retain its credit bid rights. This violates the Stipulation and abrogates improperly Banco Popular’s rights under Section 363(k) of the Bankruptcy Code.

4. The Stipulation already provides for a procedure for determining the validity of the liens of the Pre-Petition Non-Primed Lenders.

5. Section 3 allows for the unilateral withdrawal of properties from the sale process. With respect to the Pre-Petition Non-Primed Lenders, that violates the Stipulation because the parties agreed that all of the properties in which the Pre-Petition Non-Primed Lenders have an interest would be sold without reserve.

6. Sections H (para. 16) and J (para. 29) of the Bidding Procedures provide that the Debtor has the right to determine acceptable opening bids, increments and overbids. This provision is inconsistent with the Stipulation and should not apply to the Pre-Petition Non-Primed Lenders.

7. Any “stalking horse” bidder’s break-up fee, provided in Section J of the Bidding Procedures (paragraph 26 et seq.) must be subordinate to the lien of Banco Popular, and there is

no authority that any such fee can prime Banco Popular's lien under Section 506(a) of the Bankruptcy Code.

8. Banco Popular and the other Pre-Petition Non-Primed Lenders are entitled, under the Stipulation, to be able to credit bid at the live auction. Sealed initial bids, and the other controls the Debtors seek to impose on third-party bidders were not part of the Stipulation, and cannot be imposed on Banco Popular or the other Pre-Petition Non-Primed Lenders. Any aspect of the Application that seeks relief inconsistent with the Stipulation must be modified to be consistent, or be denied.

Dated: New York, New York
January 18, 2001

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Attachment A

Transcript of Hearing on January 12, 2001

[non-electronic document, available on request]